

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Dave Sykes

SUBJECT: SEE BELOW

DATE: March 27, 2013

Approved

Date

3/27/13

**SUBJECT: EXTENSION OF CITY MANAGER'S AUTHORITY TO AUTHORIZE
POWER PURCHASE AGREEMENTS WITH SOLARCITY
CORPORATION**

RECOMMENDATION

Adopt a resolution repealing Resolution Nos. 76011 and 76012 and authorizing the City Manager or designee to execute power purchase agreements and all related documents with SolarCity Corporation through June 30, 2014, to finance, engineer, install, commission and maintain solar energy installations at City facilities, subject to the limitations (cash flow positive, private activity analysis, financing and landlord consent, parkland and CEQA clearance) as approved by Council action on September 27, 2011.

OUTCOME

Approval of a one year extension through June 30, 2014, of the City Manager's ability to execute power purchase agreements would enable the City to continue working with SolarCity Corporation to install solar energy solutions on City facilities and lands.

BACKGROUND

City staff conducted a Request for Proposals (RFP) process from April 2010 to August 2011, for solar installations through power purchase agreements ("PPA").

On September 27, 2011, the City Council awarded a contract to SolarCity Corporation ("SolarCity") (Attachment A) and adopted Resolutions Nos. 76011 (Attachment B) and 76012 (Attachment C) which authorized the City Manager or designee to execute PPAs with SolarCity through December 31, 2012, for twenty-eight City facilities and through June 30, 2013, for additional or alternative City facilities. The PPA provides that SolarCity would construct, own and maintain the solar photovoltaic (PV) systems while the City commits to purchasing the

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power generated by the systems at a set rate, anticipated to be lower than PG&E's electricity costs, over a 20 year term.

Prior to the City's work with SolarCity, the City installed 2.6 MegaWatts (MW) of solar at thirteen municipal sites through various vendors and financing mechanisms. As of February 2013, the City has installed solar PV systems with SolarCity at nine municipal sites equating to over 1 MW of solar. Four sites are in the design phase and five more sites are in the scoping phase, representing an additional 1.4 MW of solar. All together, these sites represent a cumulative cost savings to the City of over \$4 million over the 20 year PPA terms. From the original list of twenty-eight municipal sites, two sites were dropped after a more thorough review by SolarCity and City staff for multiple reasons (e.g. set back restrictions, site layout, future site plans, and aesthetic concerns). Eight sites have been added to the list of potential solar sites. Attachment D summarizes the status of the twenty-eight original and eight new municipal sites.

Solar projects are made more financially viable through the use of grants or incentives. The City has been using Energy Efficiency and Conservation Block Grant ("EECBG") funds to cover City staff costs associated with the solar design review and construction process. Originally set to expire in December 2012, the EECBG funds have been extended through June 13, 2013.

Other sources of funding to SolarCity include the U.S. Treasury grant incentives, which were set to expire as of January 1, 2012, and mentioned as an issue of concern (due to timing and financial implications) in the September 27, 2011 memorandum to Council, were subsequently converted into a equal credit which is available through 2016. In addition, since September 2011, the State reauthorized funding for the California Solar Initiative ("CSI") rebates. SolarCity has already paid to reserve the CSI rebates for all but five of the sites on Attachment B. When CSI rebates are obtained for any of the City's installations, PPA prices are adjusted pro-rata to reflect the actual incentive received which is a financial benefit to the City. CSI rebates were set up as a ten step incentive with incentives decreasing through to the tenth step. Incentive levels are currently at the tenth step with half of those funds already reserved.

Municipal sites with potential for solar undergo a thorough process of review and vetting among various City departments. This process results in projects with desirable solar designs while still maintaining financial viability. Given staffing levels and workloads, City staff has organized the sites into "Phases" with four to five sites in each Phase. Each Phase requires approximately a six month time frame from the start of design review to construction completion.

ANALYSIS

Based on previous experience of issuing RFP for solar PPAs, additional installations would be delayed for approximately one year if the City chose to issue a new RFP rather than continue working with SolarCity. With a one year delay, the City would lose all momentum on current installations and it is likely that the CSI rebates would be exhausted which would increase the costs to the City and reduce the financial viability of future projects.

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Extending the City Manager's authorization to sign PPAs with SolarCity for solar installations at City facilities and lands through June 30, 2014, would allow the City to continue with its in-progress solar sites and evaluate additional sites for a Phase 5 of solar installations. This additional time would also allow the City to thoroughly vet these sites for other issues including 1) a thorough financial "check-ins" to ensure that the solar installations meet the cash flow positive criteria at the Notice to Proceed (NTP) for Design and NTP for Construction; and 2) continued use of the City Criteria Checklist (Attachment E) to move into the NTP for Design for each site.

In May 2012, Council directed staff to work with an energy service company (ESCO), to evaluate energy and water efficiency and renewable energy opportunities at municipal sites. The resulting agreement with Chevron Energy Solutions was approved by Council on February 12, 2013. The City anticipates working with Chevron over the next several years to evaluate additional renewable energy opportunities at municipal sites. Therefore, staff did not find it in the best interest of the City to simultaneously undertake a RFP process for a solar vendor beyond the SolarCity agreement.

EVALUATION AND FOLLOW-UP

These PPAs are a part of a comprehensive strategy to meet Council direction to implement the Green Vision Goal #3 to receive 100% of the City's electricity from clean, renewable sources. Subsequent to the approval of this extension, staff will continue to assess and implement solar PV on further City facilities with SolarCity. City staff will continue to evaluate how the City can meet Green Vision Goal #3 to receive 100% of the City's electricity from clean, renewable sources.

POLICY ALTERNATIVES

Alternative #1: Issue a new RFP for solar PPAs at municipal sites

Pros: Issuing a new RFP for solar PPAs could potentially result in a reduction in solar costs.

Cons: Issuing a new RFP for solar PPAs would result in a stoppage of solar installations for approximately one year due to the RFP process, building the working relationship and understanding of City requirements/processes with a new vendor and completing the solar design process. Additionally, CSI rebates would likely be fully exhausted by that time resulting in an increase in costs to the City and reducing the financial viability of future projects.

Reason for not recommending: A new RFP could result in additional solar costs (particularly given the CSI rebate timing), would require additional internal staff time and costs, and would delay completing solar installations on City facilities and lands for approximately one year which would result in delayed cost savings.

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Alternative #2: Continue to purchase electricity from PG&E for remaining solar sites.

Pros: By continuing the purchase energy from PG&E, the City may incur lower energy costs over the 20 year term should the future escalation rates for PG&E be lower than the assumption used in the financial analysis of the PPA.

Cons: PG&E pricing will fluctuate over time due to market conditions. Based on historical trends, the City is expecting to pay a higher price for power from PG&E over the 20 year term. The power purchased during this time will be primarily sourced from fossil fuels which are nonrenewable.

Reason for not recommending: The financial analysis for entering into PPAs for the remaining solar sites not already in the design phase indicates a projected cost savings of \$3 million over the 20 year term when compared to purchasing power from PG&E. This alternative does not align with the City's Green Vision goal of obtaining 100% of its electricity from clean renewable sources.

PUBLIC OUTREACH

☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.

(Required: Website Posting)

☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.

(Required: E-mail and Website Posting)

☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

City staff will continue to outreach to the communities surrounding each potential solar site to share preliminary solar design. This memorandum will be posted on the City's website for the April 9, 2013 Council agenda.

COORDINATION

The memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, Environmental Services Department, and the Finance Department.

FISCAL/POLICY ALIGNMENT

This project is consistent with the following General Budget Principles "We must focus on protecting our vital core city services for both the short- and long-term".

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COST SUMMARY/IMPLICATIONS

Given that EECBG funding options will conclude in June 2013, City staff has identified the City-Building Energy Projects Fund as an appropriate funding source, designated solely for municipal energy efficiency and renewable energy projects, to cover the estimated \$350,000 in City staff costs to implement solar projects on City facilities and lands through June 30, 2014.

The maximum amount that the City will fund in staff costs to implement solar installations from June 2013 through June 2014, is \$350,000. The cost per kilowatt hour for the electricity produced by solar installation is defined in the PPA for each site and covered by the associated department's utility budget.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn.	Amt. for Contract	2012-2013 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	3817	City-Building Energy Projects	\$1,335,000	\$350,000	Page IX-21	10/16/2012 ord: 29163

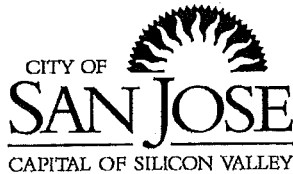
CEQA

Exempt, Files No. PP11-064, PP11-065, PP11-066, PP11-067, PP11-068, PP11-069, PP11-070, PP11-071, PP11-072, PP11-073, PP11-074, PP11-075, and PP11-079

/s/

DAVID SYKES
Director of Public Works

For purchasing related questions please contact Mark Giovannetti, Purchasing Division Manager, at (408) 535-7052. For all other questions, please contact Julie Benabente, Energy Officer, at (408) 975-2537.



REPLACEMENT

SJFA/COUNCIL: 09-27-11
ITEM: 2

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL
AND SAN JOSE FINANCING
AUTHORITY BOARD

FROM: Julia H. Cooper
Kerrie Romanow

SUBJECT: SEE BELOW

DATE: September 26, 2011

Approved

Date

9/26/11

SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR A POWER PURCHASE AGREEMENT TO FINANCE, ENGINEER, INSTALL, COMMISSION, AND MAINTAIN SOLAR ENERGY INSTALLATIONS ON CITY FACILITIES AND LANDS

REASON FOR REPLACEMENT

At the Council meeting on September 20, 2011, the Budget Office estimated the 2012-2013 Preliminary General Fund shortfall to be between \$78 and \$115 million. As a result, it was stated that the City's ability to solve this substantial General Fund shortfall may include recommendations to close all branch libraries and community centers recommended for solar installation in this memorandum. Due to this information, a further evaluation of the potential impacts and the addition of a more extensive discussion of the associated potential liabilities were necessary.

RECOMMENDATION

It is recommended that the Council take the following actions:

1. Accept the report on the Request for Proposals for a Power Purchase Agreement for Solar Energy Installations on City Facilities and Lands and adopt a resolution approving a form Power Purchase Agreement and authorizing the City Manager or designee to execute Power Purchase Agreements in such form and all related documents with SolarCity Corporation by December 31, 2012 for the following City facilities and subject to the limitations outlined in the staff memorandum to the Council:
 - Almaden Community Center (CC) and Library
 - Alum Rock Library
 - Bascom CC/ Library
 - Berryessa CC
 - Berryessa Library
 - Cambrian Library
 - Camden CC
 - East San Jose Carnegie Library
 - Edenvale CC

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- Edenvale Library
- Evergreen Library
- Evergreen CC
- Hillview Library
- Joyce Ellington Library
- Kelley Park (Senter Road Lot)
- Mayfair CC
- Municipal Water Office
- PAL Sports Centre
- Pearl Library
- Prusch Park
- Roosevelt CC
- Santa Teresa Library
- Seven Trees CC/ Library
- South Service Yard
- Tully Library
- Vineland Library
- Willow Glen CC
- Willow Glen Library

2. Adopt a resolution authorizing the City Manager or designee to negotiate and execute, by June 30, 2013, additional Power Purchase Agreements with SolarCity Corporation at alternative or additional City facilities in the form approved by Council and subject to the limitations (cash flow positive, private activity analysis, financing and landlord consent, parkland and CEQA clearance) outlined in this staff memorandum to Council.

It is recommended that the City of San José Financing Authority Board take the following actions:

3. Adopt a resolution to authorize the Executive Director or the Executive Director's authorized designee to consent to the license or sublicense of Evergreen Library, Edenvale Library and Vineland Library and other City facilities that are pledged assets of outstanding City of San José Financing Authority lease revenue bonds or commercial paper program to SolarCity Corporation for the installation of solar photovoltaic systems and to execute a letter acknowledging SolarCity Corporation's ownership and financing interests in the solar photovoltaic systems, subject to the requirements of the applicable governing documents.

OUTCOME

Execution of the Power Purchase Agreements (PPA) (Attachment A) with SolarCity Corporation ("SolarCity") will result in the installation of solar photovoltaic (PV) arrays with the initial forecast capacity of generating approximately 4 megawatts (MW) direct current (DC) of power at multiple City facilities. SolarCity estimated that installing solar on the initial 28 sites would save the City \$140,000 in year one and over \$5,700,000 in cumulative savings by the end of the 20 year agreement term (see Attachment B for list of site, calculations, and assumptions). In addition, the solar installations will advance the City's Green Vision renewable energy goal of receiving 100% of our electrical power from clean, renewable sources by 2022.

EXECUTIVE SUMMARY

In June 2010, staff issued a request for proposals (RFP) to implement solar PPAs at an initial list of 28 City sites. In May 2011, SolarCity was selected as the leading proposer. Through

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negotiations and more extensive site evaluations, a final list of 28 City sites (Attachment B) has been developed that are estimated to each have a cumulative net present value cash flow that turns positive by year five and remains positive through year 20.

Sites will not commence with design work or installation until all limitations (positive cash flow, private activity analysis, financing and landlord consent, parkland allowance and CEQA clearance) as outlined in the staff memorandum to Council have been resolved.

BACKGROUND

In October 2007, Council adopted the Green Vision, a 15 year plan that outlines ten ambitious goals for economic growth and environmental sustainability. Goal three of the Green Vision calls for the City to receive 100% of its electrical power from clean, renewable sources. To achieve this goal, the City has been evaluating and pursuing cost effective options for the installation of renewable energy sources at various municipal sites. At this time, based on the available technology and federal and state incentives, solar is the most viable renewable energy source and is the main focus of the City's strategy for municipal facilities. Other renewable technologies such as wind, fuel cells and biosolids are also being explored.

Without dedicated funds to achieve the 100% renewable energy goal, staff continues to evaluate various financing options. This is most recently demonstrated by the evaluation undertaken for the Central Service Yard solar project in which a PPA was found to be the most viable energy financing option. The PPA option uses a private entity to fund, design, construct, own and operate the solar installation. The private entity can take advantage of the Federal Investment Tax Credit (ITC) program or a U.S. Treasury grant which allow private companies that build, own and operate solar to receive a 30% tax credit or cash grant on their net capital expenditures. This federal program for clean, renewable energy incentive is in addition to any rebates available through the California Solar Initiative (CSI). Government agencies are ineligible for the ITC and U.S. Treasury grant incentives. The PPA allows the project developer to capture these incentives, helping many projects achieve at least grid parity (i.e. equitable costs to estimated PG&E costs) which would generally not be possible with upfront City funding.

With a successful PPA in place for a 1.3 MW solar installation at the Central Service Yard, staff published a draft RFP in May 2010, for solar on City facilities to confirm key PPA issues with the solar vendor community. Incorporating feedback received on that draft, staff issued a full, competitive RFP in June 2010, soliciting vendors to provide PPA proposals to finance, develop, design, construct, own, operate, and maintain solar PV systems at an initial list of 38 City sites. These sites were organized into three groups based on estimated system size and parkland status. The RFP allowed firms to submit proposals on any or all of the three groups, allowing for award by group with only one firm recommended in each group. The RFP was structured in two phases, with the first being a review of qualifications and the second being a best-and-final offer (BAFO) round with evaluation criteria based primarily on cost.

ANALYSIS

The RFP was released on June 25, 2010. It was viewed by 135 companies with 81 companies downloading the RFP document and the following seven companies/teams submitting proposals by the August 16, 2010, deadline:

- Bass Electric / Ecoplexus (San Francisco, CA)
- Chevron Energy Solutions Company (San José, CA)
- Cupertino Electric / Enfinity America (formerly Clear Peak Power) (San José, CA)
- DRI Energy / SunEdison (San Leandro, CA)
- Rosendin Electric / Solar Power Partners (San José CA)
- SolarCity (San Mateo, CA)
- Tioga Energy (San Jose, CA)

In accordance with the process set forth in the RFP, a three person evaluation team, with representatives from Environmental Services, General Services (now Public Works), and the City Manager's Office, evaluated the written proposals followed by oral interviews/presentations with all seven proposers on October 28-29, 2010. Proposals were evaluated against the following criteria: experience (50%), technical (30%), financial considerations (10%) and local/small business preference (10%). The final scores and rankings are summarized in Table 1 below:

TABLE 1: Phase 1 Proposer Scoring							
Team Name	Group(s)*	Experience (50%)	Technical (30%)	Finance (10%)	Local / Small (10%)	Total (100%)	Rank
Rosendin Electric / Solar Power Partners (San José, CA)	1, 2	40	26	9	5	80	1
Bass Electric / Ecoplexus (San Francisco, CA)	2	40	27	8	0	75	2
DRI Energy / SunEdison (San Leandro, CA)	1, 2	40	24	8	0	72	3
SolarCity (San Mateo, CA)	1, 2, 3	38	26	8	0	72	3
Tioga Energy (San Jose, CA)	1, 2	35	23	9	5	72	3
Chevron Energy Solutions (San Jose, CA)	1, 2	35	19	5	5	64	4
Cupertino Electric / Enfinity America (San José, CA)	1, 2	25	18	7	5	55	5

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*Group 1 includes sites with a minimum estimated solar installation of 0.5 MW or more; group 2 includes sites with a minimum estimated solar installation of less than 0.5MW; group 3 includes parkland sites that are less than 5 acres.

The rankings were disclosed to the proposers in November, 2010. Once the rankings were established through the evaluations, the top five proposers moved onto the second BAFO phase. Entering the BAFO phase, scores for the previous phase were leveled such that the final selection was based exclusively on the Phase 2 evaluation criteria consisting of cost (75%), technical (15%), and local/small business preference (10%).

Site visits were conducted at four representative sample sites for Groups 1 and 2 (BAFO sites are identified in Attachment B), in January, 2011, in order to provide the proposers with enough facility data to prepare and submit realistic and firm pricing. This allowed staff the ability to compare costs among a smaller group of facilities. Two sample sites were chosen from each of Groups 1 and 2:

Group 1

- Santa Teresa Library
- Happy Hollow Park and Zoo (new Roberts Ave. landfill parking lot)

Group 2

- Berryessa Community Center
- Tully Community Library and Ballfields

Group 3 consisted of park sites under five acres and was handled separately, as only one firm, SolarCity, proposed on that group. Given the Charter restrictions on entering agreements longer than three years on any parkland site, discussions began with SolarCity on whether PPAs or alternative financing arrangements could be developed that would enable long-term solar installations on parkland sites.

After the site visits, the City responded to questions to ensure that proposers had sufficient information about each site to submit realistic cost proposals. Three companies submitted best and final offers (BAFO) by the April 6, 2011, deadline. Led by Finance Department staff, the offers were evaluated and ranked as demonstrated in Table 2:

TABLE 2: Phase 2 BAFO Scoring					
Team Name	Cost (75%)	Technical (15%)	Local / Small (10%)	Total (100%)	Rank
GROUP 1					
SolarCity (San Mateo, CA)	75	12	0	87	1
DR1 Energy / SunEdison (San Leandro, CA)	4	12	0	16	2
Tioga Energy (San Jose, CA)	0	8	5	13	3
GROUP 2					
SolarCity (San Mateo, CA)	75	12	0	87	1

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DRI Energy / SunEdison (San Leandro, CA)	0	12	0	12	2
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SolarCity received most of the points for cost because they were the only proposer to submit best and final pricing with an estimated present value savings over the 20 year PPA term. The other proposers submitted prices with minimal or negative savings.

Tioga Energy requested consideration as a local business, and received five points in accordance with policy. However, the Local Preference did not influence the award outcome.

The RFP process allowed for proposers to protest the final award recommendation within ten days of the Notice of Intended Award. No protests were received.

A negotiation team was formed with representatives from the following departments: Environmental Services, Public Works, Finance, Attorney's Office and City Manager's Office. Negotiations commenced with SolarCity for all Group 1, 2, and 3 sites on May 19, 2011.

Key Business Terms

The RFP scope included 38 City sites to investigate for solar feasibility. Based upon preliminary solar analysis and financial modeling, 28 of those sites (listed in Attachment B) present savings opportunities for the City. Of the remaining ten sites removed from the original list, six are cash flow negative throughout the term of the PPA, two have significant site constraints for solar and two will require significant further analysis prior to proceeding.

The City will execute a separate PPA, on the form attached to this memo (Attachment A), with SolarCity for each site. In aggregate, the terms of each of the PPAs provide for SolarCity to construct solar PV systems ("Systems") at each site, consisting of a mixture of parking lot canopies and roof installations, with an aggregate capacity initially estimated at 4 MW DC of power. SolarCity will own the Systems throughout the term of the PPA. The Systems are estimated to be able to meet an average of 68% of the electrical power requirements of the sites in aggregate. While there is no guarantee that any set amount of power will be produced by each System in a given year, the PPAs contain estimated annual outputs and incentives to SolarCity to generate as much energy with each System as possible since payment is based on the amount of energy produced by the System. It is important to note, especially given the potential restrictions on several of the sites as discussed below, that there is also no guarantee as to the number of sites that will actually be implemented.

Term: Each PPA will be for an initial term of 20 years with two additional five year options. It is important to note that if the City were to terminate the PPA after the City has issued a Notice to Proceed with design and within the initial 20 years, it would be subject to a termination fee as discussed under *Termination* below. Therefore, in the event the City contemplates closing any of the sites for which a PPA is executed and design work has commenced, it would need to consider the additional costs of continuing to pay for the power generated under the PPA or possibly paying the termination fee as discussed under *Site Closures* below.

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Pricing and Cost Savings: The City is only obligated to pay for the energy that each System produces. The initial price per kilowatt hour (kWh) and annual escalation factor varies between sites as shown in Attachment B. The negotiated PPA rate guarantees the City fixed pricing by site over the 20 year life of the PPA; the PPA rate may be revised pursuant to the PPA after additional site-specific assessments occur. SolarCity estimated that installing solar on the initial 28 sites would save the City an estimated \$140,000 in year one and over \$5,700,000 in cumulative savings by the end of the 20 year PPA term. These savings are based on the currently estimated PPA pricing proposed by SolarCity in Attachment B and an annualized PG&E escalation rate assumption of 4.5%. This escalation rate is consistent with staff's projection of future PG&E escalation, which ranges from 1.6% to 8.8% for the various rate scales (A6, A10, E19, E20). The low range assumes zero inflation, while the higher amount assumes 3.0% inflation plus an escalator for future capital improvements that PG&E would have to undertake to achieve its 33% renewable portfolio standard goal¹.

System Construction: SolarCity will perform the actual construction of the Systems and own the Systems. Since the City is not paying for construction and our obligation to pay SolarCity for the electricity produced will only begin after construction is completed, a performance bond would provide no additional assurance of construction completion. Therefore, the PPA does not require SolarCity to obtain a performance bond. Under the PPA, SolarCity is obligated to indemnify the City against any claims arising out of its construction activities at the site. The estimated time to install and commission each System is approximately six months after issuance of the Notice to Proceed. Projects will be completed in a phased approach. The PPA will require the payment of prevailing wage.

System Ownership: The Systems will be owned and operated by SolarCity throughout the term of the PPA. As part of the PPA, SolarCity is requesting that any entity holding a leasehold interest in the property where the System is installed acknowledge SolarCity's ownership interest and right to give security interests in the System to other providers of financing. This will include certain sites leased from the City of San José Financing Authority (Authority), as well as sites or portions of sites leased from other parties. On leased sites, the Authority or other landlord must consent to the license to SolarCity.

Ongoing Funding: Payment obligations for the first year of operation will be encumbered against the City's Non-personal/ Equipment Appropriation, where utilities are currently charged. The City will similarly encumber funds on an annual basis through the 20 year term of the PPA. In order to comply with state constitutional debt limitations, the PPA provides that the City's failure to appropriate funds citywide for the purchase of any utility services constitutes a *force majeure* event. This means that the contract acknowledges that in the event of non-appropriation for any power services, the City's obligation to pay is abated and SolarCity is also excused from its obligation to provide the power. The City and/or SolarCity are permitted to terminate the PPA under these circumstances, if the non-appropriation event continues for 180 days. The City

¹ Escalator for PG&E capital improvements based on figures in 33% Renewable Portfolio Standard Implementation Analysis Preliminary Result (pg. 22, Table 5).

will not be liable for an early termination fee under a *force majeure* event. Since the City is expected to have an ongoing need for some power over the expected life of the PPA, there does not appear to be any reason that the City would not appropriate for power purchases in the future.

City's Buyout Rights: The City can choose to buy out the systems at each of the sites at the end of year six, ten, and 20 of the PPA. The buyout price is equal to the greater of the then current fair market value of the System or the buyout schedule as set forth in a schedule attached to each PPA.

Termination: The City has the right to terminate each PPA without cause and without fee or penalty prior to SolarCity's commencement of System design work, which is initiated by a City issued Notice to Proceed. Should the City either default or terminate a PPA after the City has issued a Notice to Proceed with System design work and prior to the end of the twenty year term, the PPA provides that the City will be subject to an early termination fee. The termination fees vary by site and (reduce) from year to year. The termination fees are calculated using the PPA rate, production of each system, and the remaining years of the PPA. The final termination fees will be set forth in a schedule attached to each PPA. In the event of early termination, SolarCity would have the right to remove the System; the City will not have ownership rights to the System and will no longer have the right to purchase any solar production from the System.

Mutual Indemnification and Limitation of Liability: The PPA provides for mutual indemnification by the City and SolarCity depending upon the degree of negligence for the injury or damage. The PPA provides that neither the City nor SolarCity would be liable to each other for damages greater than the aggregate amount of payments remaining under the contract. Excluded from this limitation is any property damage, personal injury, or death for which the City or SolarCity would have a claim of indemnity.

Environmental Considerations: Entering into the PPAs will provide the City with approximately 5,800,000 kWh (6%) per year toward its goal of obtaining 100% of its municipal electricity from renewable sources. The energy production from solar represents a substantial reduction in greenhouse gases – approximately 4000 metric tons of carbon dioxide per year equivalent for the twenty-eight sites in the aggregate. This reduction is similar to the annual electricity use of nearly 500 homes².

Under the PPA, in order to achieve the cost savings described above, the City is agreeing to allow SolarCity the right to retain the Renewable Energy Credits (RECs) that result from these installations. RECs are credits issued by the State for installation of renewable energy. In its BAFO submission, SolarCity estimated the value of the RECs at \$0.03 per kWh. Based upon this price, the total value of the RECs for all of the twenty-eight sites in Attachment B would be approximately \$175,000 annually. However, the actual value of the RECs may vary as they would be traded much like a commodity. In addition, the City's retention of RECs would have resulted in the City paying a higher overall PPA rate. Open market demand for RECs derive

² Source: U.S. Environmental Protection Agency's Greenhouse Gas Equivalencies Calculator, <http://www.epa.gov/cleanenergy/energy-resources/calculator.html>

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from individuals or organizations that support renewable energy but are unable to install renewable energy systems. By purchasing RECs in the open market, such organizations are able to claim the credits without actually installing the systems. Since the City is not retaining the RECs, the City will be using the power but will not be able to publicly claim that it is generating renewable power. Regardless of who owns the RECs, the installation of 4 MW DC of solar across multiple City facilities moves the City closer to its goal of obtaining 100% of its electricity from renewable sources.

California Solar Initiative Incentive (CSI): At this time, the CSI is only accepting waitlist applications for commercial solar installation incentives as the program budget was depleted faster than predicted. Therefore, all prices in the PPAs are currently calculated based on no incentive. New legislation in the State Senate seeks to reauthorize funding for the program. However, it is difficult to determine whether or when this legislation will pass. If the CSI incentive is obtained for any of the City's installations, PPA prices will be adjusted pro-rata to reflect the actual incentive received.

Other Considerations

While the solar installations are estimated to save the City money over the term of the PPAs and to help to meet its Green Vision goal of receiving electricity from clean, renewable sources, it is important to highlight some other considerations.

Grant Funding Deadlines: The initially estimated pricing (shown in Attachment B as PPA Start Rate) and revised pricing that may be established prior to the PPAs is based on SolarCity receiving a U.S. Treasury grant incentive for the projects. In order to receive this incentive, SolarCity must receive signed PPAs from the City and then purchase 5% of all solar equipment that it estimates it will need for the projects by the December 31, 2011, U.S. Treasury grant deadline. Failure to meet this deadline will increase the City's pricing by an estimated 20%, raising the possibility that some of the current sites proposed for solar installations may no longer be financially viable for the City.

In addition to the above deadline, as detailed in the Budget Reference section, the City's Energy Efficiency and Conservation Block Grant (EECBG) funding for internal soft costs related to the solar installations is available through December 2012. Therefore, the City has a window of opportunity to move forward with these projects under the proposed pricing and funding scenario outlined in this memo.

Service Hour Reductions: Some City facilities recommended for solar through this RFP have recently undergone reductions in operating hours. These reductions clearly reduce the aggregate electricity amount used at the facility. As it has been the Council's stated goal to return to prior year service levels in the future however, staff will analyze the viability of solar for such facilities at the current and past level of operating hours before moving forward with PPAs for these sites.

Facility Reuse / Third-Party Operation: Of the City facilities recommended for solar through this RFP, two (Edenvale Community Center and Bascom Community Center and Library) are currently under consideration for reuse. Currently, the City pays the utility bills for all reuse sites operated by a third party. Since the construction of these sites was paid with tax exempt bond proceeds they can only be operated by a third party under a qualified management agreement in order for the operator agreements to not be counted as private use. In any such future agreement, the City could require the manager to pay the utility bills including the PPA payments if the operator agreement complies with the IRS requirements for qualified management agreements.

Site Closures: Per the information presented at the Council meeting on September 20, 2011, the 2012-2013 Preliminary General Fund shortfall is estimated to be between \$78,000,000 and \$115,000,000. As discussed, the City's ability to solve this substantial General Fund shortfall may include recommendations to close all branch libraries and community centers recommended for solar installation in this memorandum. Therefore, it may be necessary to delay issuing a Notice to Proceed for the majority of sites until the Council adopts the 2012-2013 Budget or later, depending on the February 2012 Five-Year General Fund Forecast. City staff has and will continue to keep SolarCity apprised of budget recommendations as they develop and their impact on the solar projects.

Once solar is installed on a facility, a site closure would leave the City with three options:

1. Termination of a PPA and incur the early termination payment penalty as specified in the PPA and derived as described above in the Termination section;
2. Relocation of the solar installation to another facility, incurring the cost for relocation;
or
3. Maintaining the solar array on the closed facility and continuing payments on solar energy generated per the PPA.

Under option 3, the City could explore likely utilizing AB 2466 which allows local governments to receive monetary credits (based on commodity, not market pricing) for excess renewable generation that is exported to the utility grid. These credits can be applied to offset the generation costs of the customer's other service accounts. However, because the credits will be based on commodity pricing and not market pricing, the potential return will only partially cover the costs of the ongoing PPA. So as to reduce the risk of installing solar on sites that may be closed, the City will evaluate potential site closures prior to issuing the Notice to Proceed with design for each site.

System Size Limitations: Besides the above mentioned limitations on long term utility obligations at the Sites, it is also important to point out that this RFP process has made it clear that reaching a 100% renewable goal for all municipal electricity needs will be extremely challenging, if not impossible, at this time. Although a preliminary assessment of the RFP sites had indicated a much higher level of solar energy generation in the range of 12-14 MW, a more detailed site and energy usage assessments resulted in a lower estimate. While physical

constraints such as shading and available roof area factor into the assessments, it is the facility's peak and off peak energy usage that determines the actual solar energy use which results in utility cost savings. For example, a site may be able to physically accommodate a larger solar installation facility, but the actual energy use at the site dictates the installation of a smaller solar energy facility.

Limitations on the City's Ability to Enter into PPAs for Solar Installations

Once a City site has been evaluated for a solar installation, there are several criteria which must be met prior to installing solar at that site. Attachment C includes an internal City Criteria Checklist that must be completed and executed by the Director of Finance, Director of Environmental Services, Budget Director, and the Director of Public Works before the Notice to Proceed is given to commence the design and installation of the solar system at each of the Sites. The criteria are as follows:

Positive Cash Flow: The City will only proceed with sites estimated to have a positive net present value cash flow by year five and at year 20. As some solar layouts may change as they go through the design review process, sites will continue to be evaluated prior to final approval for installation. No termination payment is due if installation does not proceed after completion of cash flow analysis.

Private Activity Analysis: Most of the potential locations for the installation of solar through a PPA were financed with tax-exempt bonds. IRS regulations limit a private party's use of a tax-exempt bond financed facility in the private party's trade or business. For sites that were bond funded, the City must conduct private activity analysis to ensure that the City maintains the tax-exempt status of the bonds by not exceeding private activity limitations. Given the workload associated with evaluating the private activity component, the private activity analysis has not been completed for all sites. Solar may not be installed at bond-financed facilities until the private activity analysis has been completed and the analysis demonstrates that the City will not violate the private activity limitations. It should be noted that only a limited amount of private activity is allowable for each series of bonds, so entering into PPAs for these facilities may hinder the ability of the City to allow for private activity at bond funded facilities in the future. This could make it more difficult in the future to outsource activities such as food service at Happy Hollow, operations of fitness centers and sponsorships, and naming rights of bond funded athletic facilities. The exact impact will not be known until after the private activity analysis has been completed.

Consent of City of San José Financing Authority and Third Parties in City's Financings: Evergreen Library, Edenvale Library, and Vineland Library are pledged assets for outstanding lease revenue bonds issued by the City of San José Financing Authority ("Authority") and are subject to a lease/lease back arrangement between the City and the Authority. It is possible that future locations for the installation of solar PV systems by SolarCity will be at City facilities which are pledged assets for the Authority's lease revenue bonds or the Authority's commercial paper program. As SolarCity's financing entity will require the consent of the Authority as the

lessee of these sites, staff recommends that the Executive Director or the Executive Director's authorized designee be authorized to execute such consent. In some instances, however, the consent of other parties to the particular financing, such as the trustee, letter of credit bank or bond insurer for the particular bond issue may also be required and other requirements may apply depending on the terms of the particular financing. If the trustee, the letter of credit bank and/or bond insurer fails to provide its consent or other applicable requirements cannot be met, then the City will not be able to proceed with the PPA for the applicable facility.

Parkland Status: Many of the sites being recommended are in City parks that are subject to certain Charter restrictions on long term leases and agreements. Staff will be bringing forward proposed modifications to Council Policy No. 7-8 to the Parks and Recreation Commission and to the Council in October 2011 to consider allowing for a solar installation to provide electricity for community recreational uses. 13 of the 28 sites are on parkland over five acres and are therefore subject to the Policy. Given the current language of the Policy, Council approval of the recommendations in this report will allow for the City to initially execute three year licenses which can be amended if the revised Policy is adopted by Council. Policy 7-8 does not apply to parkland sites under five acres and none of twenty-eight sites are on parkland less than five acres. If future City sites for solar installations are on parkland less than five acres, these sites would be limited to three year PPAs.

Landlord Consent for Leased Sites: For any City buildings or parking lots that are on leased land, the City will coordinate with land owner for consent to install solar through the PPA.

CEQA Clearance: The installation of solar at the sites listed in Attachment B has been determined to be exempt projects under CEQA. After system design, proposed projects will be submitted for any additional CEQA review which will include any tree removal implications, where applicable. Any additional sites proposed for a solar installation will go through the CEQA review process.

EVALUATION AND FOLLOW-UP

These PPAs are a part of a comprehensive strategy to meet Council direction to implement the Green Vision Goal #3 to receive 100% of the city's electricity from clean, renewable sources. Subsequent to the approval of this slate of PPAs, staff will begin assessing further City facilities with SolarCity to determine their feasibility for solar installations and negotiate and execute additional PPAs on terms similar to those approved by Council. For any sites that do not meet City contingencies, City staff will return to Council for approval of any exceptions prior to proceeding with a solar installation.

The current amount of solar being proposed for installation in this RFP is much lower on a site by site basis than was originally estimated based upon a preliminary review by the Department of Energy and City staff. Based on the experience from this RFP, City staff will continue to evaluate how the City can meet Green Vision Goal #3 to receive 100% of the City's electricity from clean, renewable sources.

POLICY ALTERNATIVES

Alternative 1: Continue to purchase all electricity from PG&E.

Pros: By continuing the purchase energy from PG&E, the City may incur lower energy costs over the 20 year term should the future escalation rates for PG&E be lower than the assumption used in the financial analysis of the PPA.

Cons: PG&E pricing will fluctuate over time due to market conditions. Based on historical trends, the City is expecting to pay a higher price for power from PG&E over the 20 year term. The power purchased during this time will be primarily sourced from fossil fuels which are non-renewable.

Reasons for not Recommending: The financial analysis for entering into a PPA indicates a projected cost savings of \$5,000,000 over the 20 year term when compared to purchasing power from PG&E. This alternative does not align with the City's Green Vision goal of obtaining 100% of its electricity from clean renewable sources.

Alternative 2: Retain all or partial Renewable Energy Credits (RECs).

Pros: The Renewable Energy Credits could be a potential revenue source in the future once a market for trading RECs is fully established. If retained and not sold, the City would be able to take full public credit for producing renewable power.

Cons: Retaining the RECs would result in an increase in the PPA pricing. The City would also take the risk that the RECs value may not materialize. Additional costs could be incurred for administrative resources related to trading activities.

Reasons for not Recommending: Given that a market for trading RECs has not yet been established and that the City wishes to maximize General Fund savings at this time, retaining the RECs is not financially beneficial at this time.

Alternative 3: Issue Qualified Energy Conservation Bonds (QECBs) to finance the purchase and installation of several solar photovoltaic (PV) systems.

Pros: City would purchase and own several solar projects, accruing all of the long-term benefits, including owning the RECs.

Cons: Internal costs related to issuing QECBs and managing the resulting projects would not be fully covered by the bonds, necessitating additional sources of City funding. Specifically, the City would need to provide additional funding to pay for ongoing operation/maintenance of the facilities, as well as debt service on the QECB's. In addition, QECBs would only be able to cover the installation costs for about 1.5MW as compared to the approximately 4MW for all of the City sites proposed in the RFP. The City is unable to take advantage of the ITC or U.S. Treasury grant incentives as it is a tax-exempt entity.

Reasons for not Recommending: Utilizing QECBs does not appear financially possible at this time, given the additional funding needed from the City in order to issue and repay the bonds. Staff is not recommending issuing QECBs at this time due to the City's current budget situation and inability of energy savings to be sufficient to cover the costs.

PUBLIC OUTREACH

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☒ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

City staff intends to conduct the following outreach:

- Library Commission – September 14, 2011
- Parks and Recreation Commission – October 5, 2011
- Community Outreach – Approach to be determined by interdepartmental planning group

COORDINATION

This memorandum has been coordinated with the City Manager's Office, the City Attorney's Office, the City Manager's Budget Office, the Departments of Public Works, Planning, Building and Code Enforcement, Parks, Recreation and Neighborhood Services, and Library.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Green Vision and item 3 of the 2011-2012 Budget Balancing Strategy Guidelines: "Focus on protecting our vital core city services for both the short- and long-term."

COST SUMMARY / IMPLICATIONS

The negotiated PPA pricing will guarantee the City fixed pricing by site over the 20 year life of the PPA. SolarCity estimated that installing solar on the initial 28 sites would save the City \$140,000 in year one and over \$5,700,000 in cumulative savings by the end of the 20 year agreement term. These savings are based on the current PPA pricing proposed by SolarCity and an annualized PG&E escalation rate assumption of 4.5%.

However, if facilities close once solar is already installed, the City would continue to have financial obligations for those solar installations. Three options to deal with the obligations are:

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1. Termination of a PPA and incur the early termination payment penalty as specified in the PPA and derived as described above in the Termination section;
2. Relocation of the solar installation to another facility, incurring costs for relocation; or
3. Maintaining the solar array on the closed facility and continuing payments on solar energy generated per the PPA.

The cost of options one and two are projected to be very high relative to option three and, therefore, would not be the most likely action to pursue in the event of temporary site closures. As such, option three would likely be the lowest cost option to the City in the event of a temporary site closure. Assuming a worst case scenario whereby all 23 community centers and libraries proposed for solar are temporarily closed in year one of each PPA, the liability to the City in year one of the PPA is estimated to be \$970,000 (based on SolarCity's estimated annual production and PPA rates). However, the City may be able to offset the PPA costs by utilizing AB 2466 (i.e. receive monetary credit against other accounts for power that goes back to the grid). Based on current commodity pricing acquired from PG&E, this would leave the City with a total estimated adjusted liability of \$420,000 in year one of the PPA. Furthermore, these conservative estimates are assuming zero electrical demand for these closed facilities, however it is important to note that there would likely be a minimum base load of energy usage at these sites even when closed, which would be a cost to the City regardless of whether solar is installed. Consequently, the net cost to the City would be even lower. If, for example, these sites were reopened in year two of the PPA, they would still result in over \$5,600,000 in cumulative savings to the City by the end of the 20 year agreement term; if sites are closed for longer periods of time, the cumulative savings would reduce commensurately.

As part of the internal approval process to authorize issuing a Notice to Proceed for a particular site, staff will consider potential recommendations to close certain facilities as part of addressing the 2012-2013 Preliminary General Fund shortfall.

Lastly, the annual PPA payments will be encumbered against the respective department operating budgets for non-personal/equipment appropriation replacing the corresponding utility expenditures. The PPA costs for each site on the current list of sites proposed for solar installations (see Attachment B) except for one, East San Jose Carnegie Library, are anticipated to be offset by the cost reduction in each site's PG&E bill from year one through 20 after solar is installed. East San Jose Carnegie Library would need to absorb an additional \$350 per year in years one through four in their non-personal/equipment appropriation.

HONORABLE MAYOR AND CITY COUNCIL AND FINANCING AUTHORITY

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BUDGET REFERENCE

Fund #	Appn #	Appn Name	Total Appn	PW Staff Funding	2011-12 Proposed Operating Budget Page*	Last Budget Action (date, Ord. No.)
001	3810	Recovery Act-Energy Efficiency and Conservation Block Grant**	6,537,000	\$421,000	IX-17	06/21/11, 28928
001	3817	City-Building Energy Projects Program**	1,335,946	\$179,000	IX-17	06/21/11, 28928

* The 2011-2012 Operating Budget was Adopted by the City Council on June 21, 2011, and will be published in the Fall.

**The estimated \$600,000 needed for soft costs, including plan review and inspection by the Department of Public Works, is anticipated to be funded primarily through the Energy Efficiency and Conservation Block Grant (EECBG) received through the American Recovery and Reinvestment Act of 2009. The City's EECBG funding is available through December 2012. As EECBG funding is limited and subject to certain limitations on overhead expenditures, to the extent that EECBG funds are insufficient to cover these costs, sufficient funding in the City Building Energy Projects Program appropriation is available to cover the soft costs to complete this project. The City Building Energy Projects Program is restricted to municipal energy efficiency or renewable energy projects.

CEQA

Exempt, Files No. PP11-064, PP11-065, PP11-066, PP11-067, PP11-068, PP11-069, PP11-070, PP11-071, PP11-072, PP11-073, PP11-074, PP11-075, and PP11-079.

/s/
KERRIE ROMANOW
Acting Director, Environmental Services

/s/
JULIA H. COOPER
Acting Director, Finance

For purchasing related questions please contact Mark Giovannetti, Finance Division Manager, at (408) 535 7052. For all other questions, please contact Mary Tucker, Energy Program Manager, at (408) 975-2581.

Attachment A – Form of Power Purchase Agreement
Attachment B – Projected Savings by Site over 20-year PPA Term
Attachment C – Form of City Criteria Checklist

RESOLUTION NO. 76011**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING A FORM POWER PURCHASE AGREEMENT AND AUTHORIZING THE CITY MANAGER OR DESIGNEE TO EXECUTE POWER PURCHASE AGREEMENTS WITH SOLARCITY CORPORATION TO FINANCE, ENGINEER, INSTALL, COMMISSION AND MAINTAIN SOLAR ENERGY INSTALLATIONS ON 28 CITY FACILITIES**

WHEREAS, in June, 2010, the City of San José ("City") initiated a Request for Proposal ("RFP") process to solicit proposals from firms interested in implementing solar Power Purchase Agreements for financing, developing, designing, constructing, owning, operating and maintaining solar photovoltaic power systems at multiple City sites; and

WHEREAS, the City's evaluation panel has determined that the proposal of SolarCity Corporation is the proposal that is most advantageous to the City; and

WHEREAS, the City desires to approve a form Power Purchase Agreement, attached as Exhibit A to this resolution, which will be executed for each site on which the solar installations will be installed; and

WHEREAS, the City desires to execute Power Purchase Agreements by December 31, 2012 for 28 City facilities, subject to the limitations outlined in the staff memorandum to City Council dated September 1, 2011;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. The form Power Purchase Agreement, attached as Exhibit A to this resolution, is hereby approved.
2. The City Manager or designee is hereby authorized to execute Power Purchase Agreements with SolarCity Corporation in such form and all related documents by December 31, 2012, for the following City facilities, and subject to the limitations outlined in the staff memorandum to Council dated September 1, 2011.

- Almaden Community Center and Library
- Alum Rock Library
- Bascom Community Center and Library
- Berryessa Community Center
- Berryessa Library
- Cambrian Library
- Camden Community Center
- East San Jose Carnegie Library
- Edenvale Community Center
- Edenvale Library
- Evergreen Library
- Evergreen Community Center
- Hillview Library
- Joyce Ellington Library
- Kelly Park (Senter Road Lot)
- Mayfair Community Center
- Municipal Water Office
- PAL Sports Centre
- Pearl Library
- Prusch Park
- Roosevelt Community Center
- Santa Teresa Library
- Seven Trees Community Center/Library
- South Service Yard
- Tully Library
- Vineland Library
- Willow Glen Community Center
- Willow Glen Library

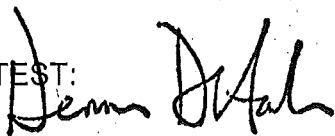
ADOPTED this 27th day of September, 2011, by the following vote:

AYES: CAMPOS, CHU, CONSTANT, HERRERA, KALRA,
LICCARDO, NGUYEN, OLIVERIO, PYLE, ROCHA;
REED.
NOES: NONE.

ABSENT: NONE.

DISQUALIFIED: CHU (d) only.

ATTEST:



DENNIS D. HAWKINS, CMC
City Clerk



CHUCK REED
Mayor

RESOLUTION NO. 76012

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AUTHORIZING THE CITY MANAGER OR DESIGNEE TO EXECUTE POWER PURCHASE AGREEMENTS WITH SOLARCITY CORPORATION TO FINANCE, ENGINEER, INSTALL, COMMISSION AND MAINTAIN SOLAR ENERGY INSTALLATIONS AT ALTERNATIVE OR ADDITIONAL CITY FACILITIES

WHEREAS, on September 27, 2011, the City Council of the City of San José ("City") adopted a resolution approving a form Power Purchase Agreement, and authorizing the City Manager or Director of Finance to execute Power Purchase Agreements for financing, developing, designing, constructing, owning, operating and maintaining solar photovoltaic power systems with SolarCity Corporation by December 31, 2012 for 28 specific City facilities, subject to the limitations outlined in the staff memorandum to City Council dated September 1, 2011; and

WHEREAS, the City desires to authorize execution of Power Purchase Agreements for alternative or additional City facilities in the form approved by the City Council, subject to the limitations outlined in the staff memorandum to City Council dated September 1, 2011;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

The City Manager or designee is hereby authorized to execute Power Purchase Agreements by June 30, 2013 with SolarCity Corporation in the form approved by Council and all related documents for alternative or additional City facilities, subject to the limitations (cash flow positive, private activity analysis, financing and landlord consent, parkland and CEQA clearance) outlined in the staff memorandum to City Council.

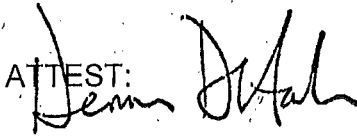
ADOPTED this 27th day of September, 2011, by the following vote:

AYES: CAMPOS, CHU, CONSTANT, HERRERA, KALRA,
LICCARDO, NGUYEN, OLIVERIO, PYLE, ROCHA;
REED.
NOES: NONE.


ABSENT: NONE.

DISQUALIFIED: NONE.

ATTEST:



DENNIS D. HAWKINS, CMC
City Clerk



CHUCK REED
Mayor

Attachment D
Status of Municipal Solar Sites

Project Phase	Site Name (bold indicates added site)	Actual or Anticipated System Size (actual or <i>estimated</i>)	20 Yr. Cumulative Cash Flow	CSI Rebate Reserved? (Y/N)	Status
1	Kelley Park (Senter Road Lot)	411.25	\$ 561,222	Y	Installation Complete
1	Municipal Water Office	30.55	\$ 225,232	Y	Installation Complete
1	PAL Sports Centre	160.16	\$ 510,487	Y	Installation Complete
1	South Service Yard	95.41	\$ 76,987	Y	Installation Complete
2	Pearl Library	65.52	\$ 126,360	Y	Installation Complete
2	Tully Library	127.4	\$ 276,891	Y	Installation Complete
2	Willow Glen Community Center (CC)	88.83	\$ 78,493	Y	Installation Complete
2	Tully Ballfield (parking lot)	29.12	\$ 63,006	Y	Installation Complete
2	Alum Rock Library	80.08	\$ 60,447	Y	Installation Complete
3	Almaden CC and Library	258.44	\$ 334,301	Y	In design
3	Camden CC	236.88	\$ 546,603	Y	In design
3	Mabury Service Yard	221.76	\$ 263,836	Y	In design
3	Lake Cunningham Service Yard/ Skate Park	44.4	\$ 34,747	Y	In design
4	Berryessa Library	157.9	\$ 214,575	Y	Scoping
4	Edenvale Library	160	\$ 145,529	Y	Scoping
4	Evergreen CC	145	\$ 221,095	Y	Scoping
4	Mayfair CC	192.9	\$ 173,938	Y	Scoping
4	Roosevelt CC	80.1	\$ 102,647	Y	Scoping
TBD	Garage - 2nd & San Carlos	118.44	\$ 189,391	N	Under review
TBD	Garage 3rd & St. John	161.28	\$ 144,993	N	Under review
TBD	Garage - Market & San Pedro	210	\$ 22,536	N	Under review

TBD	Bascom CC and Library	224	\$ 373,512	Y	Potential Phase 5 Site
TBD	Berryessa CC	138.2	\$ 115,227	Y	Potential Phase 5 Site
TBD	East San José Carnegie Library	50.9	\$ 26,010	Y	Potential Phase 5 Site
TBD	Edenvale CC	116.4	\$ 166,716	Y	Potential Phase 5 Site
TBD	Evergreen Library	146.8	\$ 279,057	Y	Potential Phase 5 Site
TBD	Hillview Library	138.3	\$ 209,234	Y	Potential Phase 5 Site
TBD	Joyce Ellington Library	80	\$ 92,968	Y	Potential Phase 5 Site
TBD	Police Substation	TBD	TBD	N	Potential Phase 5 Site
TBD	Rose Garden Library	69.2	\$ 103,865	N	Potential Phase 5 Site
TBD	Santa Teresa Library	80.1	\$ 179,449	Y	Potential Phase 5 Site
TBD	Seven Trees CC and Library	230.3	\$ 139,177	Y	Potential Phase 5 Site
TBD	Vineland Library	92.1	\$ 85,626	Y	Potential Phase 5 Site
TBD	Willow Glen Library	75.7	\$ 49,384	Y	Potential Phase 5 Site
N/A	Cambrian Library	N/A	N/A	Y	Dropped
N/A	Prusch Park	N/A	N/A	Y	Dropped

Attachment E
Form of City Criteria Checklist

Site: _____

Date: _____

Prior to issuing a Notice to Proceed for solar installation at each site, the Department of Public Works project manager shall cause this form to be completed and signed. Completed forms shall be kept with each project file.

☐ **Positive Cash Flow:** The City will only proceed with sites estimated to have a positive net present value cash flow by year five and at year 20.

☐ **Private Activity Analysis:** Most of the potential locations for the installation of solar through a PPA were financed with tax-exempt bonds. IRS regulations limit a private party's use of a tax-exempt bond financed facility in the private party's trade or business. For sites that were bond funded, the City must conduct private activity analysis to ensure that the City maintains the tax-exempt status of the bonds by not exceeding private activity limitations.

☐ **Consent of City of San José Financing Authority and Third Parties in City's Financings:** The appropriate consent forms from the relevant parties in the City's Financings have been fully executed.

☐ **Parkland Status:** Many of the sites being recommended are in City parks that are subject to certain Charter restrictions on long term leases and agreements. Staff will be bringing forward proposed modifications to Council Policy No. 7-8 to the Parks and Recreation Commission and to the Council to consider allowing for a solar installation to provide electricity for community recreational uses.

☐ **Landlord Consent for Leased Sites:** For any City buildings or parking lots that are on leased land, the City will coordinate with land owner for consent to install solar through the PPA.

☐ **CEQA Clearance:** The installation of solar at the sites listed in Attachment B has been determined to be exempt projects under CEQA. After system design, proposed projects will be submitted for any additional CEQA review which will include any tree removal implications, where applicable. Any additional sites proposed for a solar installation will go through the CEQA review process.

Approved by:

Director of Finance	Director of Environmental Services	Director of Public Works	Budget Director